



National Association of Securities Dealers, Inc.  
1735 K St., N.W. • Washington, D.C. 20006 • (202) 728-8000

# notice to members 84-59

November 7, 1984

**TO:** All NASD Members and Level 2 and Level 3 Subscribers

**RE:** National Market System Grows to 1,142 Securities With 40 Voluntary Additions on November 20

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On Tuesday, November 20, 1984, 40 issues are scheduled to join the NASDAQ National Market System bringing the total number of issues in NASDAQ/NMS to 1,142. These 40 issues, which will begin trading under real-time trade reporting, are entering the NASDAQ/NMS pursuant to the Securities and Exchange Commission's criteria for voluntary designation.

The 40 issues scheduled to join NASDAQ/NMS on Tuesday, November 20, 1984 are:

<b>Symbol</b>	<b>Company Name</b>	<b>Location</b>
AQTN	Aequitron Medical, Inc.	Minneapolis, MN
ATEE	ATE Enterprises, Inc.	Cincinnati, OH
BGBR	Big Bear, Inc.	Columbus, OH
BTRL	Biotech Research Laboratories, Inc.	Rockville, MD
BOAT	Boatmen's Bancshares, Inc.	St. Louis, MO
CRCH	Church & Dwight Co., Inc.	Piscataway, NJ
CTRIS	CleveTrust Realty Investors	Cleveland, OH
CRFT	ComputerCraft, Inc.	Houston, TX
CBRP	Continental Bancorp, Inc.	Philadelphia, PA
CTHL	Continental Health Affiliates, Inc.	Englewood Cliffs, NJ
DEPC	DEP Corporation	Rancho Dominguez, CA
FFHC	First Financial Corporation	Stevens Point, WI
FJAK	Flakey Jake's, Inc.	Kirkland, WA
FLOW	Flow Systems, Inc.	Kent, WA
FSTRA	L. B. Foster Company, Class A	Pittsburgh, PA

<b>Symbol</b>	<b>Company Name</b>	<b>Location</b>
GWSB	Great Western Federal Savings Bank	Bellevue, WA
PLIN	P. Leiner Nutritional Products Corp.	Torrance, CA
NSSC	Napco Security Systems, Inc.	Copiague, NY
NHSB	New Hampshire Savings Bank Corp.	Concord, NH
NJNB	New Jersey National Corporation	Trenton, NJ
NWOR	Newworld Bank for Savings	Boston, MA
NWPS	Northwestern Public Service Company	Huron, SD
NUTR	Nutri-Foods Int'l., Inc.	Montgomery, NY
PATS	Patient Medical Systems Corporation	Franklin Square, NY
PGULF	Pegasus Gold Inc.	Vancouver, Canada
PENT	Pennsylvania Enterprises, Inc.	Wilkes-Barre, PA
REYNA	The Reynolds and Reynolds Company, Class A	Dayton, OH
RELL	Richardson Electronics, Ltd.	Franklin Park, IL
ROBV	Robotic Vision Systems, Inc.	Hauppauge, NY
RYAL	Royale Airlines, Inc.	Shreveport, LA
SAYI	S.A.Y. Industries, Inc.	Leominster, MA
SHEF	Sandwich Chef, Inc.	Birmingham, AL
SMSI	Scientific Micro Systems, Inc.	Mountain View, CA
SPIR	Spire Corporation	Bedford, MA
STAA	STAAR Surgical Company	Monrovia, CA
THMD	Thermedics Inc.	Woburn, MA
UFSB	University Federal Savings Bank	Seattle, WA
VDEF	Vie de France Corporation	Vienna, VA
WFSB	Westchester Financial Services Corporation	New Rochelle, NY
WTLCA	Western Tele-Communications, Inc., Class A	Englewood, CO

The following changes to the list of NASDAQ/NMS securities occurred since October 1, 1984.

## NASDAQ/NMS Symbol AND/OR Name Changes

<u>New/Old Symbol</u>	<u>New/Old Security Name</u>	<u>Date of Change</u>
CNSL/CNSL	Consul Restaurant Corporation/Consul Corporation	10/8/84
DRUGA/DRUGA	Dart Group Corporation Class A/Dart Drug Corporation, Class A	10/4/84

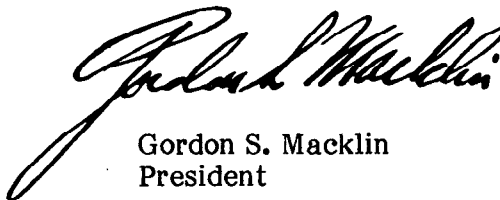
## NASDAQ/NMS Deletions

<u>Symbol</u>	<u>Security Name</u>	<u>Date</u>
AGSC	AGS Computers, Inc.	10/18/84
AIGR	American International Group	10/11/84
CGAC	CGA Computer Associates, Inc.	11/5/84
FFAZ	First Federal Savings & Loan Association of Arizona	11/2/84
MCQA	McQuay, Inc.	11/05/84
PTIX	Patient Technology, Inc.	10/29/84

On September 5, 1984, the Federal Reserve Board adopted a rule making all securities in the National Market System automatically eligible for credit or margin purchases. This rule becomes effective November 13, 1984 (NASD Notice to Members 84-57).

Any questions regarding this notice should be directed to Donald Bosc, Assistant Director, NASDAQ Operations, at (202) 728-8043. Questions pertaining to trade reporting rules should be directed to Steve Hickman, Market Surveillance, at (202) 728-8202.

Sincerely,



Gordon S. Macklin  
President

# NASD

National Association of Securities Dealers, Inc.  
1735 K St., N.W. • Washington, D.C. 20006 • (202) 728-8000

## **notice to members 84-60**

November 7, 1984

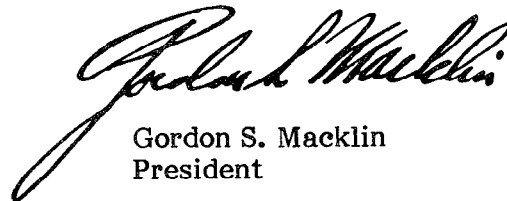
TO: All NASD Members and Interested Persons

RE: 1985 Schedule of Holidays

Listed below is the NASD's 1985 schedule of holidays.

January 1 (Tuesday)	New Year's Day Observed
February 18 (Monday)	Washington's Birthday Observed
April 5 (Friday)	Good Friday
May 27 (Monday)	Memorial Day Observed
July 4 (Thursday)	Independence Day
September 2 (Monday)	Labor Day
November 28 (Thursday)	Thanksgiving Day
December 25 (Wednesday)	Christmas Day

Sincerely,



Gordon S. Macklin  
President



National Association of Securities Dealers, Inc.  
1735 K St., N.W. • Washington, D.C. 20006 • (202) 728-8000

# **notice to members 84-61**

November 14, 1984

TO: All NASD Members and Interested Persons  
ATTN: Registration, Training and Compliance Personnel

## **PLATO Learning Centers to Close Thanksgiving Week, November 19-23, 1984**

During the above period, the NASD will install and test new software for its qualification examination delivery system in the PLATO network. In order to preclude the possibility of disruptions during candidate testing sessions as this new software is installed, all Control Data Learning Centers will be closed from November 19th through November 23rd. This week includes the seasonal holiday closing schedule and thus involves a minimum interruption to the flow of testing in the PLATO learning centers. In order to compensate for this interruption, the expiration dates of all candidate enrollments originally scheduled to expire between November 19th and December 14th have been extended through December 31, 1984.

## **Change in Calculator Use Policy During All Testing Sessions**

Current NASD policy permits the use of calculators by candidates during both written and PLATO testing sessions. Recent technological advances have resulted in a number of small computing devices coming to market which have limited word processing capabilities and provide for semi-permanent storage of data. In a testing environment, these devices present the potential for compromising the security of the questions used in the qualification examination program. Effective immediately, therefore, the NASD is instituting a policy limiting the use of computing devices during testing sessions to those which are capable of executing mathematical functions only. Candidates will NOT be allowed to use computing devices which provide the capability of entering alphabetical data. The new policy will permit candidates to continue to use calculators which operate silently, utilize a self-contained power source, have no print devices and no alphabetical key pads.

Questions regarding this notice should be directed to David H. Uthe at (202) 728-8138.

Sincerely,

Frank J. McAuliffe  
Vice President  
Qualifications Department



National Association of Securities Dealers, Inc.  
1735 K St., N.W. • Washington, D.C. 20006 • (202) 728-8000

## **notice to members 84-62**

November 14, 1984

TO: All NASD Members and Interested Persons

ATTN: Registration, Training and Compliance Personnel

RE: Effect of the Tax Reform Act of 1984 and Amendments to Various NASD and SEC Rules on NASD Qualification Examinations

The subject matter of various NASD qualification examinations has been affected by the passage of the Tax Reform Act of 1984 (the "Act") as well as by recently adopted amendments to certain SEC and NASD rules. The test items affected by these changes have been deleted from the current test question banks. Updated questions will be instated in the appropriate examinations effective January 1, 1985. In addition, new recordkeeping and IRS reporting requirements for broker-dealers and promoters of tax sheltered investments were adopted under the Act. Because of their relevance to the securities industry, test questions on these rules will also be incorporated in the appropriate examination banks on January 1, 1985. The following is a brief explanation of the new compliance requirements under the Tax Reform Act of 1984.

- Promoter's Investor List - The Act requires organizers and sellers of "tax shelter" investments sold after August 31, 1984, to maintain investor lists and provide them to the IRS on request. The list must be maintained for seven years for any tax shelter program required to be registered.
- Promoter's Penalty - Effective July 18, 1984, the Act provides for a penalty on promoters of abusive tax shelters equal to the greater of \$1,000 or 20% of shelter income to be derived from the organization or sale of the program.
- Registration of Tax Shelters - The Act requires tax shelter promoters to register their tax shelter programs sold after August 31, 1984, with the IRS or before the day it is first offered for sale. The IRS will assign a registration number to each program and the promoters will have to notify the

investors of this number so that it can be included on their tax returns.

- Disposition of Partnership Interests - Beginning in 1985, when partnership interests are exchanged or sold, the Act requires a partnership after it is notified by the selling partner, to inform the IRS, the seller and the buyer of the fair market value of the partner's allocable share of unrealized receivables and appreciated inventory. This provision applies to all partnerships.
- Original Issue Discount Reporting - The Act provides that issuers of publicly traded original issue discount instruments issued after July 18, 1984, must furnish information to the IRS including issue date and the amount of original issue discount.

\* \* \* \* \*

On April 3, 1984, the NASD adopted a new rule under Article III, Section 38, of the Rules of Fair Practice. As approved by the SEC, Section 38 addresses two levels of possible financial or operational difficulties of member firms. First, it restricts a member from expanding its business whenever certain early warning criteria relating to minimum capital, ratios or scheduled capital withdrawals are exceeded. Secondly, it covers a deteriorating situation in which another set of warning criteria with lower tolerance are exceeded. In such situations, the rule requires a member to reduce or eliminate certain facets of its business. The rule is intended to address such problems in a timely fashion to protect the member, the investing public and other members. For more information on this new rule, refer to NASD Notice to Members 84-21, dated April 3, 1984.

\* \* \* \* \*

Recently adopted amendments to certain SEC and NASD rules which will be reflected in the qualification examinations on January 1, 1985, include the following:

A. Rule 144 Under the Securities Act of 1933 - Paragraph (k) under Rule 144: Termination of certain restrictions on sales of restricted securities by persons other than affiliates.

B. NASD Rules of Fair Practice

Section 1 - Amendments to the Free-Riding and Withholding Interpretation: The purpose of this amendment is to explain in more detail provisions already in the Interpretation. Refer to NASD Notice to Members 83-68, dated December 12, 1983, for further details.

Section 10 - Influencing or rewarding employees of others: The limit on gifts and gratuities to any person, principal, proprietor, employee, agent or representative is \$50 per year.

Section 34 - Direct Participation Programs: The provisions of Appendix F have been amended to require disclosure to public investors of the use of

sales incentive programs. The amendments are also designed to permit members participating in public offerings of programs utilizing such arrangements to appropriately supervise their salesmen and maintain required books and records. The amendments also require that all sales incentives be paid to a member and that such incentives be paid only in the form of cash. Refer to NASD Notice to Members 84-28, dated May 22, 1984, for further details.

C. Article V--Penalties

Section 1 - Penalties for violations of the rules: This amendment increases from \$5,000 to \$15,000 the maximum fine which may be assessed upon any member or person associated with a member.

D. Code of Procedure for Handling Complaints

Section 12 - Summary Complaint Procedure: This amendment increases from \$1,000 to \$2,500 the penalty which may be imposed by summary complaint procedure for all violations of the Rules of Fair Practice as to each respondent.

E. Code of Arbitration Procedure

Amendments to various sections of the Code are intended to conform the provisions of the Association's Code of Arbitration Procedure to recent amendments to the Uniform Arbitration Code which has been developed by the Securities Industry Conference on Arbitration. The Uniform Code, as implemented by the various self-regulatory organizations, has established throughout the securities industry a uniform system of arbitration procedures. Refer to NASD Notice to Members 84-51, dated September 28, 1984, for further details.

\* \* \* \* \*

The remainder of this notice summarizes changes in the Tax Reform Act of 1984 which affect various qualification examinations. This is followed by a chart identifying the specific examinations and relevant study outline sections affected by all the material of this notice.

All questions in the item banks affected by these changes will be updated to reflect the new rule provisions beginning January 1, 1985.

Questions regarding this notice should be directed to Carole Hartzog at (202) 728-8141.

Sincerely,



Frank J. McAuliffe  
Vice President  
Qualifications Department

Attachments



## **Tax Reform Act of 1984**

### **A. Individual Income Taxes**

Capital gain holding period - The Act reduces to six months the long-term capital gain or loss holding period for assets acquired after June 22, 1984. This one year holding period will be reinstated for assets acquired after 1987.

Alternative minimum tax - For tax years beginning after 1982, the Act clarifies that:

- When calculating the regular tax for alternative minimum tax purposes, the amount of any recaptured investment credit due is in addition to the alternative minimum tax and regular tax liability. The credit must be recaptured and added to the amount of tax for the year of disposition.
- Intangible drilling costs are tax preference items for purposes of the alternative minimum tax, unless they are capitalized (in which case they are eligible for the investment credit and ACRS deductions). The new law makes clear that the election to the ACRS deductions and the investment credit in lieu of expensing intangible drilling costs is only available for oil, gas and geothermal wells located in the U.S.
- Rapid writeoffs of circulation expenses are a tax preference item to the extent they exceed the amount allowable had the expenditures been capitalized and deducted ratably over a 10-year period. The new law substitutes a 3-year amortization period for the 10-year period.

Investment income from S corporations - Effective for tax years beginning 1982, income from an S corporation will be treated as investment income if the individual so elects. However, income attributable to personal services is not eligible for treatment as investment income.

### **B. Tax-Oriented Investment Transactions**

Prepayment of expenses - For prepayments made after March 31, 1984, the Act provides that "tax shelters" (other than farming syndicates), whether on the cash or accrual method will not be permitted to deduct prepaid expenses until both economic performance occurs and the expense is actually paid or incurred. Economic performance will generally occur when services are performed, property is provided, use of property occurs or when the obligation to perform is otherwise satisfied. These provisions will apply to individuals engaged in farming activities with the principal purpose of tax avoidance.

### **C. Business Income Taxes—Real Estate**

Real property recovery period - Effective for property placed in service after March 15, 1984, the recovery period of real property (other than low-income housing) is lengthened to 18 years based on 175% declining balance, or straight line over a period of 18, 35 or 45 years. The 15 year recovery

period at accelerated rates based on 200% declining balance for low income housing remains unchanged.

Rehabilitation Credit - For rehabilitation expenditures incurred after 1983, the Act provides an alternative test to determine whether a project qualifies for the rehabilitation credit and allows the credit where:

- at least 50% of the external walls are retained as external walls.
- at least 75% of the external walls are retained as either external or internal walls.
- at least 75% of the internal structural framework is retained in place.

Rehabilitation of low-income housing - The Act extends retroactively for three years the prior law provisions permitting the amortization over 60 months of certain rehabilitation expenditures on low-income housing.

#### **D. Business Income Taxes - General**

Investment tax credit for used property - The scheduled increase in the amount of used property eligible for the investment tax credit from \$125,000 to \$150,000 has been deferred to 1988.

Depreciation recapture on installment sales - All depreciation recapture on installment sales of both real and personal property occurring after June 6, 1984, is recognized as income in the year of sale. The remaining gain on the sale will continue to be reported proportionately as the installments are received.

Non-simultaneous, like-kind exchanges - Property received in an exchange after July 18, 1984, will not qualify for like-kind, non-recognition treatment unless it is received within 180 days of the taxpayer's transfer. The substitute like-kind property must be identified within 45 days.

At-risk rules - For property placed in service after July 18, 1984, the Act reduces the base for the investment tax credit by the amount of non-recourse indebtedness. However, non-recourse financing that is qualified commercial financing will not reduce the credit base. Qualified commercial financing includes any financing, other than convertible debt for property that:

- does not exceed 80% of the credit base of the property;
- is borrowed generally from an unrelated person regularly engaged in the business of lending money;
- is not acquired from a related party.

Start-up expenses - For tax years beginning after June 30, 1984, the Act makes clear that certain start-up expenses incurred in maintaining property (prior to its use in any active trade or business) are not current deductions

but must be capitalized with an election to amortize over not less than 60 months. The Act provides that, when a trade or business is disposed of completely before the end of the amortization period, the unamortized start-up expenses may be deducted in that year.

Sound recordings - Sound recordings placed in service after March 15, 1984, may be treated as three-year ACRS property and be eligible for a 6% investment tax credit or they may be depreciated under the income forecast method without ITC.

Movies and video tapes - Movies and video tapes placed in service after 1980 do not qualify for ACRS or the 10% investment credit.

Basis adjustment for investment credit - TEFRA required taxpayers to reduce the basis of property by 50% of the allowed investment credit. On dispositions that trigger recapture of the credit, basis is increased immediately before the disposition by 50% of the recaptured credit. Under the new law, partners and S corporation shareholders must adjust their basis in the partnership interest or S corporation stock to reflect the basis adjustment by the partnership or S corporation on the allowance or recapture of the investment credit.

Construction period interest and taxes - The 1982 tax act provided that corporations must capitalize construction period interest and taxes with respect to nonresidential real property. The Act clarifies that commencing after 1982, construction period interest and taxes with respect to dwelling units in a cooperative housing corporation are exempt from the capitalization requirements, since that property is residential property.

#### **E. Partnership**

Property contributed to a partnership - Under the Act, where property is contributed to a partnership after March 31, 1984:

- Built-in losses on capital assets contributed to a partnership will retain their character as capital losses for five years.
- Contributed inventory will retain its character as ordinary income property for five years of ownership by the partnership.
- Depreciation, depletion and any built-in gain or loss from a sale of partnership property will generally have to be allocated to the contributing partner.

The Act also provides that, when a partner transfers money or other property to a partnership with a related direct or indirect transfer of money or other property to that partner or another partner, the transaction will be treated, where appropriate, as a sale of property between the partners, or as a partial sale and partial contribution of the property to the partnership. The selling partner will be required to recognize gain or loss on the amount of the deemed sales proceeds.

Retroactive allocations - For amounts attributable to periods before or after March 31, 1984, the Act prohibits allocations of items of income, gain, loss, deduction, or credit to partners entering the partnership either directly or through tiered arrangements, after the accrual of such items of taxable income or loss by cash basis partnerships. This provision is intended to prevent the practice of accrual of expenses by a cash basis partnership before the limited partners enter into the partnership, with those expenses later allocated to the limited partners and will significantly reduce the first year tax benefits allocable to limited partners entering a syndicated partnership.

Other partnership allocations - For transfers after February 29, 1984, the Act provides that persons who become partners after performing services for, or transferring property to the partnership, are to be treated retroactively as partners.

Treatment of certain partnership liabilities - Effective July 18, 1984, the Act gives the Treasury authority to issue regulations regarding the conditions under which recourse and non-recourse liabilities may be reflected in the basis of general and limited partners' interests. It is intended that regulations to be issued will allow an increase in a limited partner's basis when the limited partner provides a guarantee of partnership debt or otherwise assumes economic risk.

#### **F. Securities Transactions**

Market discount bonds - Under the Act, for bonds issued after date of enactment and interest on bonds acquired after July 18, 1984, accrued market discount is taxed as interest income to the bondholder and recognized upon disposition of the bond (including disposition by gifts). Bondholders can elect to compute the accrued market discount under the economic accrual formula used for original issue discount rather than using the linear (straight-line) method. Also, an election is available to individuals who desire to report the accrued market discount on a current basis.

The Act also defers deductions for net interest expense on debt incurred or continued to purchase or carry a market discount bond, including expenses relating to short sales used to generate funds.

Options transactions - For positions established after December 31, 1983, the Act required that, where an investor has certain offsetting positions, and loss realized from closing one position must be deferred for tax purposes to the extent of any unrecognized gain on an offsetting position. This provision applies, for example, to:

- "Covered option" positions involving "deep-in-the-money" options. (Covered option writing is an investment strategy whereby an owner of stock "writes" or sells short an option on the same stock. Under present law, an investor who sells deep-in-the-money options to offset a stock ownership position can continue to hold the stock with very limited market risk. This technique was also used to extend a holding period until it became long-term.)

- Offsetting positions involving two traded options.
- Offsetting positions in a stock and related securities (such as convertible debentures of the same corporation).
- Positions in stock index products, including options offset by a stock portfolio that follows the performance of the index.

Short sales - Under the Act, for short sales after July 18, 1984, payments made by short sellers of stock in lieu of dividends cannot be deducted against ordinary income unless the short sale is held open for at least 46 days. In the case of extraordinary dividends, the short sale must be held open for at least one year. Payments disallowed will be added to the basis of the stock used to close the short sale.

Capital gain dividends of investment companies - Under present law, an individual may buy shares in a regulated investment company that is about to distribute a sizable long-term capital gain dividend, hold the shares for 31 days and then sell them probably at a short-term loss roughly equivalent to the value of the dividend. The result would be a long-term capital gain and a short-term capital loss in approximately equal amounts. Under the Act, if a shareholder of a regulated investment company or a real estate investment trust holds stock for less than six months, any loss recognized on the sale of such stock will be treated as a long-term capital loss to the extent of any distribution on the stock which was treated as long-term capital gain. An exception is provided for dispositions of stock pursuant to a periodic redemption plan. This provision is effective for losses incurred on shares acquired after July 18, 1984.

Original issue discount on tax-exempt bonds - Original issue discount on any tax-exempt obligation will accrue under an economic accrual formula based on yield to maturity and compound interest. The effect of this provision will be to increase the adjusted basis of the bond only by this accrued discount in connection with the holder's determination of taxable gain or loss upon disposition of the bond. This provision is effective for obligations issued after September 3, 1982, and acquired after March 1, 1984.

\* \* \* \* \*

**EXAMINATIONS AFFECTED BY VARIOUS TAX LAW AND INDUSTRY RULE CHANGES**  
**(Numerical References Within Test Series Identify Sections Affected By These Changes)**

Description	Test Series Number								
	4	6	7	8	22	24	26	27	39
<b>AMENDMENTS TO NASD/SEC RULES</b>									
<u>Securities Act of 1933: Rule 144 - Persons deemed not to be engaged in a distribution and therefore not underwriters</u>									
Rule 144(k) -- Termination of restrictions on sales of restricted securities	2.5	--	15.1	1.1.1	--	1.2	--	--	--
<b>NASD Rules</b>									
<u>Article III -- Rules of Fair Practice</u>									
Section 1 -- Business conduct of members -- Free-Riding and Withholding Interpretation of the Board	--	4.6	16.3	1.1.3	4.3.3	1.4	3.2	--	3.2
Section 10 -- Influencing or rewarding employees of others	--	4.6	16.3	3.1	4.3.3	4.2	3.2	--	3.2
Section 34 -- Direct participation programs - Appendix F	--	--	16.3	1.1.3	4.3.3	1.4	--	--	2.3
Section 38 -- Regulation of activities of members experiencing financial and/or operational difficulties	--	--	--	--	--	X	X	X	X
<u>Article V -- Penalties</u>									
Section 1 -- Penalties for violation of the rules	--	4.6	--	--	4.3.3	4.2	3.2	--	3.2
<u>Code of Procedure</u>									
Section 12 -- Summary Complaint Procedure	--	4.6	--	--	4.3.4	4.2	3.2	--	3.2
<u>Code of Arbitration Procedure</u>	--	4.6	16.6	3.1	4.3.5	4.2	3.2	--	3.2

Description	Test Series Number								
	4	6	7	8	22	24	26	27	39
<b>TAX REFORM ACT OF 1984</b>									
<u>Compliance</u>									
Promoter's customer list	--	--	--	--	X	--	--	--	X
Promoter's penalty	--	--	--	--	X	--	--	--	X
Registration of tax shelters	--	--	--	--	X	--	--	--	X
Disposition of partnership interests	--	--	--	--	X	--	--	--	X
Original issue discount reporting	--	--	X	X	--	X	--	--	--
<u>Individual Income Taxes</u>									
Capital gain holding period	1.6	21.14	14.3	--	3.3	--	--	--	1.4
Alternative minimum tax changes	--	--	--	--	3.3	--	--	--	1.4
Investment income from S corporations	--	--	--	--	1.2	--	--	--	1.2
<u>Tax-Oriented Investment Transactions</u>									
Prepayment of expenses	--	--	--	--	3.2	--	--	--	--
<u>Business Income Taxes — Real Estate</u>									
ACRS write-off period	--	--	4.2	--	3.2	--	--	--	--
Rehabilitation credit	--	--	--	--	3.2	--	--	--	--
Rehabilitation of low-income housing	--	--	--	--	3.2	--	--	--	--

Description	Test Series Number								
	4	6	7	8	22	24	26	27	39
<u>Business Income Taxes — General</u>									
Investment credit — used property	--	--	--	--	3.2	--	--	--	--
Installment sales — depreciation recapture	--	--	4.2	--	3.3	--	--	--	--
Like-kind exchanges	--	--	--	--	3.3	--	--	--	--
At-risk rules	--	--	--	--	3.3	--	--	--	1.4
Start-up expenses	--	--	--	--	2.1	--	--	--	--
Sound recordings	--	--	--	--	2.6	--	--	--	--
Movies and video tapes	--	--	--	--	2.6	--	--	--	--
ITC basis adjustment	--	--	--	--	3.2	--	--	--	1.4
Construction period interest and taxes	--	--	--	--	3.2	--	--	--	--
<u>Partnership</u>									
Property contributed to a partnership	--	--	--	--	3.3	--	--	--	1.4
Retroactive allocations	--	--	--	--	3.3	--	--	--	1.4
Other partnership allocations	--	--	--	--	3.3	--	--	--	1.4
Certain partnership liabilities	--	--	--	--	3.3	--	--	--	1.4
<u>Securities Transactions</u>									
Market discount bonds	--	--	14.11	--	--	--	--	--	--
Options transactions	1.6	--	14.10	--	--	--	--	--	--
Short sales	1.6	--	14.9	--	--	--	--	--	--
Capital gain dividends of investment companies	--	2.1	2.2	--	--	--	--	--	--
Original issue discount on tax-exempt bonds	--	--	14.11	--	--	--	--	--	--



**TEST SERIES KEY**

<b>Series Number</b>	<b>Examination Title</b>
4	Registered Options Principal Examination
6	Investment Company Products/Variable Contracts Representative Examination
7	General Securities Representative Examination
8	General Securities Sales Supervisor Examination
22	Direct Participation Programs Representative Examination
24	General Securities Principal Examination
26	Investment Company Products/Variable Contracts Principal Examination
27	Financial and Operations Principal Examination
39	Direct Participation Programs Principal Examination

# NASD

National Association of Securities Dealers, Inc.  
1735 K St., N.W. • Washington, D.C. 20006 • (202) 728-8000

## **notice to members 84-63**

November 22, 1984

TO: NASD Members and NASDAQ Level 2 and Level 3 Subscribers

RE: Small Order Execution System (SOES)

Listed below are the 25 NASDAQ National Market System (NASDAQ/NMS) securities which have been selected as the first group of issues to trade in the Small Order Execution System (SOES) developed and operated by NASD Market Services, Inc. In SOES, agency orders of 500 shares or less received from public customers may be executed automatically with SOES market makers at the "inside" or best price in the NASDAQ System at the time of execution.

The initial group of SOES stocks was chosen based on an analysis of cleared trade data compiled during a two week period in September 1984. The 25 most active securities, measured in terms of the number of reported trades of 500 shares or less, were selected. After the start-up of SOES in December 1984, the universe of SOES stocks will be expanded to include all NASDAQ/NMS, and eventually all NASDAQ securities.

For more information on SOES, including the procedures which must be followed to register as a SOES market maker or order entry firm, please contact Robert Soos, Supervisor, SOES Operations Center, at (212) 839-6210.

### SOES SECURITIES

#### NASDAQ Symbol

#### Company Name

AAPL  
MCIC  
INTC  
SGAT  
MYLN  
CVGT  
DRAM

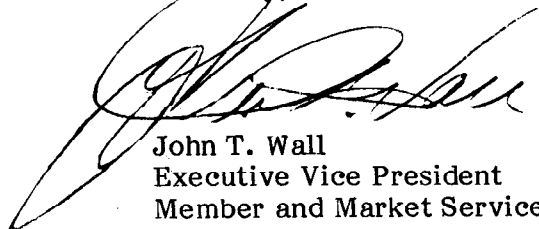
Apple Computer, Inc.  
MCI Communications Corp.  
Intel Corporation  
Seagate Technology  
Mylan Laboratories, Inc.  
Convergent Technologies  
Micron Technology, Inc.

NASDAQ Symbol

Company Name

TCOR	Tandon Corporation
TNDM	Tandem Computers, Inc.
LOTS	Lotus Development Corp.
DIGI	Digital Switch Corp.
INGR	Intergraph Corporation
CHIC	Chi Chi's Inc.
USHC	United States Health Care Systems, Inc.
GSCC	Graphic Scanning Corp.
AVAK	Avantek, Inc.
MMIC	Monolithic Memories, Inc
EMLX	Emulex Corporation
SFIN	Southland Financial Corp.
PEXP	People Express Airlines
SMSC	Standard Microsystems Corporation
DNIC	Diasonics, Inc.
IOMG	Iomega Corporation
APCI	Apollo Computer Inc.
TELV	Televideo Systems, Inc.

Sincerely,



John T. Wall  
Executive Vice President  
Member and Market Services

# NASD

National Association of Securities Dealers, Inc.  
1735 K St., N.W. • Washington, D.C. 20006 • (202) 728-8000

## notice to members 84-64

November 26, 1984

**TO:** All NASD Members and Other Interested Persons  
Attention: Direct Participation Programs Department

**RE:** Securities and Exchange Commission Interpretation of Application of Rule 15c2-4 to Direct Participation Program Offerings

The NASD is publishing a letter issued by the Securities and Exchange Commission, providing interpretive advice with respect to the application of Rules 15c2-4 and 15c3-1 to public and private offerings of direct participation programs. Rule 15c2-4 applies to offerings of securities being made on an "all-or-none" basis or on another basis pursuant to which payment will not be made to the issuer until a particular contingency occurs (best efforts distributions). Pending occurrence of the contingency, Rule 15c2-4 requires each participating broker-dealer either to (1) promptly deposit investors' funds into a separate bank account, if the broker-dealer is required to maintain minimum net capital of \$25,000 and is not affiliated with the issuer or general partner <sup>1/</sup> or (2) promptly transmit such funds to a bank escrow agent, if the broker-dealer is required to maintain minimum net capital of \$5,000 or is a \$25,000 broker-dealer affiliated with the issuer or general partner.

The interpretive advice of the Commission staff relates to the term "promptly transmitted" in Rule 15c2-4. In Notice to Members 84-7, dated January 30, 1984, the Commission staff interpreted the term "promptly transmitted" to mean:

Absent unusual circumstances, funds should be . . . transmitted as soon as practicable after receipt. In contingent offerings not requiring suitability determinations by the issuer or the general

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<sup>1/</sup> SEC staff has previously provided advice that ". . . where an issuer and a broker-dealer are affiliated, the broker-dealer should not act as agent or trustee for the funds." See NASD Notice to Members 84-7 (January 30, 1984), Question 7.

partner, funds should be . . . transmitted by noon the next business day. In contingent offerings requiring suitability determinations by the issuer or general partner (for example, most direct participation programs) where investors' checks are made payable solely to the bank escrow agent but delivered to the broker-dealer, prompt transmittal may be accomplished by forwarding the checks to the escrow agent by noon of the next business day or by noon of the second business day after receipt of the subscription by the issuer or general partner. If the latter option is used, the subscription must be forwarded to the issuer or general partner by noon of the next business day after receipt of the funds.

In discussions between the NASD and the Task Force of the American Bar Association Federal Regulation of Securities Committee, Subcommittee on Partnerships, Trusts and Unincorporated Associations with the Commission staff, it was represented that the above interpretation in the context of direct participation program offerings, prevented some broker-dealers from adequately performing the complex suitability determinations required in such offerings and that it also required the premature separation of investor checks from subscription documents resulting in processing errors, risk of loss as well as causing loss of control of the offering.

As a result of these discussions and a request for interpretive advice, the Commission staff has indicated that compliance with certain new procedures would satisfy the "promptly transmitted" requirement of Rule 15c2-4 for direct participation programs. Following is an excerpt of the Commission staff interpretive letter containing those new procedures.

I. Format of Checks/Escrow Agent

Investors will be instructed to make their checks payable to a bank escrow agent ("Escrow Agent"), as agent for the issuer. Any soliciting broker-dealer receiving a check not conforming to the foregoing instructions shall return such check directly to such subscriber not later than the end of the next business day following its receipt. Checks received by soliciting broker-dealers which conform to the foregoing instructions shall be transmitted for deposit by any soliciting dealer pursuant to one of the methods described below under "Transmittal Procedures."

II. Transmittal Procedures

Transmittal of received investor funds will be made in accordance with the following procedures:

(a) Off-Site Supervisory Review

Where, pursuant to a soliciting broker-dealer's internal supervisory procedures, internal supervisory review is conducted at the same location at which subscription documents and checks are received from subscribers, checks will be transmitted by the end of the next business day following

receipt by the soliciting broker-dealer for deposit to the Escrow Agent or to the broker-dealer registered under the Exchange Act (the "Processing Broker-Dealer") whose responsibilities in the offering include handling, reviewing investor suitability, processing and documentation of subscriptions and investor funds received.

(b) On-Site Supervisory Review

Where, pursuant to a soliciting broker-dealer's internal supervisory procedures, final internal supervisory review is conducted at a different location, checks will be transmitted by the end of the next business day following receipt by the soliciting broker-dealer to the office of the soliciting broker-dealer conducting such final internal supervisory review (the "Final Review Office"). The Final Review Office will in turn, by the end of the next business day following receipt of the Final Review Office, transmit such checks for deposit to the Escrow Agent or to the Processing Broker-Dealer.

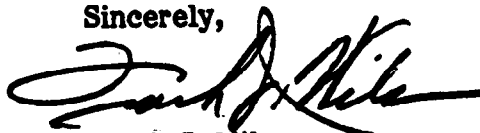
(c) Processing Broker-Dealer

Where a Processing Broker-Dealer is involved in the distribution process, checks will be transmitted by such Processing Broker-Dealer for deposit to the Escrow Agent as soon as practicable, but in any event by the end of the second business day following receipt by the Processing Broker-Dealer. Checks of rejected subscribers will be promptly returned to such subscribers.

A reprint of the Commission staff interpretive letter is attached.

Any questions regarding this Notice should be addressed to Harry E. Tutwiler, Associate Director, or Suzanne E. Rothwell, Assistant Director, Corporate Financing Department, at (202) 728-8258 or William Schief, Director of Regional Attorneys, Surveillance Department, at (202) 728-8229.

Sincerely,



Frank J. Wilson  
Executive Vice President  
Legal and Compliance

Attachment



UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

DIVISION OF  
MARKET REGULATION

October 16, 1984

Linda A. Wertheimer, Chairman  
Subcommittee on Partnerships, Trusts  
and Unincorporated Associations  
Federal Regulation of Securities  
Committee  
American Bar Association  
4300 InterFirst One  
Dallas, Texas 75202

Re: Task Force of the American Bar Association Federal  
Regulation of Securities Committee, Subcommittee on  
Partnerships, Trusts and Unincorporated Associations:  
Compliance with Rule 15c2-4 in the context of direct  
participation program offerings  
File No. TP 85-3

Dear Ms. Wertheimer:

In your letter dated October 8, 1984, as supplemented by telephone conversations with the staff, you request on behalf of the Task Force of the American Bar Association Federal Regulation of Securities Committee, Subcommittee on Partnerships, Trusts and Unincorporated Associations (the "Task Force") interpretive advice under Rules 15c2-4 and 15c3-1 under the Securities Exchange Act of 1934 ("Exchange Act") with respect to the treatment of subscription documentation and checks received by certain broker-dealers in the context of direct participation program offerings, as more fully described below.

Background

Rule 15c2-4 under the Exchange Act, 17 CFR 240.15c2-4, provides, in pertinent part:

It shall constitute a "fraudulent, deceptive or manipulative act or practice" as used in Section 15(c)(2) of the Act, for any broker, dealer or municipal securities dealer participating in any distribution of securities, other than a firm-commitment underwriting, to accept any part of the sale price of any security being distributed unless:

. . .

(b) If the distribution is being made on an "all-or-none" basis, or on any other basis which contemplates that payment is not to be made to the person on whose behalf the

distribution is being made until some further event or contingency occurs, ... (2) all [money or other consideration received from investors is] promptly transmitted to a bank which has agreed in writing to hold all such funds in escrow for the persons who have the beneficial interests therein and to transmit or return such funds directly to the persons entitled thereto when the appropriate event or contingency has occurred. [Emphasis supplied.]

Rule 15c3-1(a) (2) under the Exchange Act, 17 CFR 240.15c3-1 (a) (2), permits a broker-dealer to maintain net capital of not less than \$5,000 if he does not hold funds or securities for, or owe money or securities to, customers and does not carry accounts of, or for, customers (with limited exceptions not pertinent here), and limits his business to one or more specified securities activities, including satisfaction of the following condition:

- (ii) He participates, as broker or dealer, in underwritings on a "best efforts" basis or "all or none" basis in accordance with the provisions of 17 CFR 240.15c2-4(b) (2) and he promptly forwards to an independent escrow agent customers' checks, drafts, notes or other evidences of indebtedness received in connection therewith which shall be made payable to such escrow agent;... [Emphasis supplied.]

In Notice to Members 84-7 (January 30, 1984) ("Notice 84-7") issued by the National Association of Securities Dealers, Inc. ("NASD"), the Commission's staff addressed, inter alia, the interpretation of the term "promptly transmitted" in the context of Rule 15c2-4.

Absent unusual circumstances, funds should be ... transmitted as soon as practicable after receipt. In contingent offerings not requiring suitability determinations by the issuer or the general partner, funds should be ... transmitted by noon of the next business day. In contingent offerings requiring suitability determinations by the issuer or general partner (for example, most direct participation programs) where investors' checks are made payable solely to the bank escrow agent but delivered to the broker-dealer, prompt transmittal may be accomplished by forwarding the checks to



the escrow agent either by noon of the next business day or by noon of the second business day after receipt of the subscription by the issuer or general partner. If the latter option is used, the subscription must be forwarded to the issuer or general partner by noon of the next business day after receipt of the funds. See SEC Interpretive Letter issued to Lowell H. Listrom & Company, Inc. (April 27, 1983).

You make the following representations:

The Task Force includes members who represent or are affiliated with entities which conduct offerings of direct participation programs, as such term is defined in Section 34(d)(2) of the NASD's Rules of Fair Practice. These offerings either are registered with the Commission or are conducted in reliance upon the availability of exemptions from registration under Sections 3(a)(11), 3(b) and 4(2) of the Securities Act of 1933, as amended (such offerings being collectively referred to herein as "DPP Offerings").

With respect to such DPP Offerings, the Task Force is concerned that compliance with the interpretation of "promptly transmitted" in Rule 15c2-4(b)(2) as expressed in Notice 84-7 would prevent some broker-dealers from adequately performing the complex suitability determinations required in such offerings and would require premature separation of investor checks from subscription documentation, thereby increasing processing errors and risk of loss, as well as causing loss of control by broker-dealers of the mechanics of the offering for which they are responsible. This may occur because the present interpretation of "promptly transmitted" does not take into account the number of steps frequently involved in DPP Offerings where one broker-dealer receives the investor's documentation which must then be reviewed at one or two additional locations before the suitability determination is concluded. This process requires more time than the current staff interpretation permits. Moreover, the requirement that the initial broker-dealer in such circumstances retain custody of the investor's check until it is transmitted to the escrow account results in separation of the subscription agreement and the check and has contributed to delays and errors in the overall process.

Task Force proposal for procedures which will satisfy the "promptly transmitted" requirement of Rule 15c2-4(b)(2)

In order to alleviate these problems, the Task Force proposes that the staff interpret "promptly transmitted" in Rule 15c2-4(b)(2) to permit the following procedures to be used in DPP Offerings.

I. Format of Checks/Escrow Agent

Investors will be instructed to make their checks payable to a bank escrow agent ("Escrow Agent"), as agent for the issuer. Any soliciting broker-dealer receiving a check not conforming to the foregoing instructions shall return such check directly to such subscriber not later than the end of the next business day following its receipt. Checks received by soliciting broker-dealers which conform to the foregoing instructions shall be transmitted for deposit by any soliciting dealer pursuant to one of the methods described below under "Transmittal Procedures."

II. Transmittal Procedures

Transmittal of received investor funds will be made in accordance with the following procedures:

(a) On-Site Supervisory Review

Where, pursuant to a soliciting broker-dealer's internal supervisory procedures, internal supervisory review is conducted at the same location at which subscription documents and checks are received from subscribers, checks will be transmitted by the end of the next business day following receipt by the soliciting broker-dealer for deposit to the Escrow Agent or to the broker-dealer registered under the Exchange Act (the "Processing Broker-Dealer") whose responsibilities in the offering include handling, reviewing investor suitability, processing and documentation of subscriptions and investor funds received.

(b) Off-Site Supervisory Review

Where, pursuant to a soliciting broker-dealer's internal supervisory procedures, final internal supervisory review is conducted at a different location, checks will be transmitted by the end of the next business day following receipt by the soliciting broker-dealer to the office of the soliciting broker-dealer conducting such final internal supervisory review (the "Final Review Office"). The Final Review Office will in

turn, by the end of the next business day following receipt by the Final Review Office, transmit such checks for deposit to the Escrow Agent or to the Processing Broker-Dealer.

(c) Processing Broker-Dealer

Where a Processing Broker-Dealer is involved in the distribution process, checks will be transmitted by such Processing Broker-Dealer for deposit to the Escrow Agent as soon as practicable, but in any event by the end of the second business day following receipt by the Processing Broker-Dealer. Checks of rejected subscribers will be promptly returned to such subscribers.

In conjunction with all of the foregoing procedures, investor checks and subscription documentation delivered on Saturdays, Sundays and holidays will be treated as not having been received by a broker-dealer until the first business day thereafter.

Staff Response:

On the basis of your representations and the facts presented, noting particularly the condition that investor checks which are not properly made out to the bank escrow agent will be returned to the investor by the end of the next business day following receipt by the soliciting broker-dealer, this Division has concluded that transmission of checks under the circumstances described above is not likely to result in any of the abuses that Rules 15c2-4 and 15c3-1 were designed to prevent. Accordingly, this Division takes the position that such procedures, if otherwise employed in compliance with Rule 15c2-4, would satisfy the "promptly transmitted" requirement of Rule 15c2-4(b)(2). The Division also takes the position that these procedures, if otherwise employed in compliance with Rule 15c3-1, would constitute participation in a "best efforts" or "all or none" offering in accordance with the provisions of Rule 15c2-4(b)(2) within the meaning of paragraph (a)(2)(ii) of Rule 15c3-1. Nothing herein, however, shall limit the ability of a broker-dealer complying with Rule 15c3-1(a)(1) ("\$25,000 broker-dealer") not affiliated with the issuer or the general partner to avail itself of the procedures afforded by Rule 15c2-4(b)(1). The foregoing interpretive advice is based solely on your representations and the facts you have presented to the staff, and is strictly limited to the application of Rules 15c2-4 and 15c3-1 to the procedures described above.

AA



National Association of Securities Dealers, Inc.  
1735 K St., N.W. • Washington, D.C. 20006 • (202) 728-8000

# notice to members 84-65

December 7, 1984

TO: All NASD Members and Municipal Securities Bank Dealers

ATTN: All Operations Personnel

RE: Christmas Day - New Year's Day: Trade Date-Settlement Date Schedule

Securities markets and the NASDAQ System will be closed on Tuesday, December 25, 1984, Christmas Day, and Tuesday, January 1, 1985, New Year's Day. "Regular Way" transactions made on the preceding business days will be subject to the settlement date schedule listed below.

Trade Date-Settlement Date Schedule  
For "Regular-Way" Transactions

<u>Trade Date</u>	<u>Settlement Date</u>	<u>Regulation T Date*</u>
December 17	December 24	December 27
18	26	28
19	27	31
20	28	January 2 1985
21	31	3
24	January 2 1985	4
25	Markets Closed	—
26	January 3 1985	7
27	4	8
28	7	9
31	8	10

\* Pursuant to Section 4(c)(2) of Regulation T of the Federal Reserve Board, a broker-dealer must promptly cancel or otherwise liquidate a customer purchase transaction in a cash account if full payment is not received within seven (7) business days of the date of purchase or, pursuant to Section 4(c)(6), make application to extend the time period specified. The date by which members must take such action is shown in the column entitled "Regulation T Date."

The foregoing settlement dates should be used by brokers, dealers, and municipal securities dealers for purposes of clearing and settling transactions pursuant to the Association's Uniform Practice Code and Municipal Securities Rulemaking Board Rule G-12 on Uniform Practice.

Questions regarding the application of these settlement dates to a particular situation may be directed to the Uniform Practice Department of the NASD at (212) 839-6256.

\* \* \* \*

  
**NASD**

National Association of Securities Dealers, Inc.  
1735 K St., N.W. • Washington, D.C. 20006 • (202) 728-8000

# **notice to members 84-66**

December 7, 1984

TO: All NASD Members

RE: Vantage Securities of Colorado, Inc.  
7000 E. Belleview Avenue, #307  
Englewood, Colorado

ATTN: Operations Officer, Cashier, Fail-Control Department

On November 30, 1984, the United States District Court for the District of Colorado appointed a SIPC Trustee for the above captioned firm.

Members may use the "immediate close-out" procedures as provided in Section 59(i) of the NASD's Uniform Practice Code to close-out open OTC contracts. Also, MSRB Rule G-12 (h)(iv) provides that members may use the above procedures to close-out transactions in municipal securities.

Questions regarding the firm should be directed to:

SIPC Trustee

Glen E. Keller, Jr., Esquire  
Davis, Graham & Stubbs  
2600 Colorado National Building  
950 Seventeenth Street  
P.O. Box 185  
Denver, Colorado 80201  
Telephone: (303) 892-9400



National Association of Securities Dealers, Inc.  
1735 K St., N.W. • Washington, D.C. 20006 • (202) 728-8000

# notice to members 84-67

December 10, 1984

**TO:** All NASD Members and Level 2 and Level 3 Subscribers

**RE:** NASDAQ National Market System Grows to 1,185 Securities With 50 Voluntary Additions on December 18, 1984

On Tuesday, December 18, 1984, 50 issues are scheduled to join the NASDAQ National Market System bringing the total number of issues in NASDAQ/NMS to 1,185. These issues, which will begin trading under real-time trade reporting, are entering the NASDAQ/NMS pursuant to the Securities and Exchange Commission's criteria for voluntary designation.

The 50 issues scheduled to join NASDAQ/NMS on Tuesday, December 18, 1984, are:

<b>Symbol</b>	<b>Company Name</b>	<b>Location</b>
AMAB	Alaska Mutual Bancorporation	Anchorage, AK
ATPC	Athey Products Corporation	Raleigh, NC
BBCM	Baltimore Bancorp	Baltimore, MD
BELF	Bel Fuse Inc.	Jersey City, NJ
BUFF	Buffton Corporation	Fort Worth, TX
BKLY	W. R. Berkley Corporation	Greenwich, CT
CBTB	CB&T Bancshares, Inc.	Columbus, GA
CFSD	Capitol Federal Savings and Loan Association of Denver	Aurora, CO
VETS	Cardio Pet, Inc.	Brooklyn, NY
CHCR	Chancellor Corporation	Boston, MA
CTEC	Component Technology Corp.	Erie, PA
CNFG	The Connifer/Essex Group, Inc.	Worcester, MA
DLCH	Delchamps, Inc.	Mobile, AL
EDMC	EIDorado Motor Corporation	Minneapolis, KS
ENGH	Engraph, Inc.	Atlanta, GA
EPUB	Entertainment Publications, Inc.	Birmingham, MI

<b>Symbol</b>	<b>Company Name</b>	<b>Location</b>
FBOH	First Bancorporation of Ohio	Akron, OH
FFOM	First Federal of Michigan	Detroit, MI
GANDF	Gandalf Technologies Inc.	Ontario, Canada
GNVA	Genova, Inc.	Davison, MI
GCRA	Golden Corral Realty Corporation	Raleigh, NC
HCWO	HCW Inc.	Boston, MA
HLMI	Robert Halmi, Inc.	New York, NY
HCSG	Healthcare Services Group, Inc.	Huntingdon Valley, PA
INFR	Infrared Industries, Inc.	Sanford, FL
IVCR	Invacare Corporation	Elyria, OH
ITELP	IteI Corporation (Preferred)	San Francisco, CA
JJSC	Jefferson Smurfit Corporation	Alton, IL
KBALB	Kimball International, Inc.	Jasper, IN
KNCD	Kincaid Furniture Company, Incorporated	Hudson, NC
LOCL	Local Federal Savings and Loan Association	Oklahoma City, OK
MCFV	McFaddin Ventures, Inc.	Houston, TX
MSTI	Medical Sterilization, Inc.	Syosset, NY
MRDNP	Meridian Bancorp, Inc. (Preferred)	Reading, PA
MAIR	Metro Airlines, Inc.	Houston, TX
MSHR	Mischer Corporation (The)	Houston, TX
HMOA*	National Comprehensive Services, Inc.	Chicago, IL
OHBC	Ohio Bancorp	Youngstown, OH
PASN	Parisian, Inc.	Birmingham, AL
RSTO	Rose's Stores, Inc.	Henderson, NC
RSTOB	Rose's Stores, Inc. Class B	Henderson, NC
SCIT	Scientific, Inc.	Scotch Plains, NJ
SREG	Standard Register Company (The)	Dayton, OH
SRFI	Super Rite Foods, Inc.	Shiremanstown, PA

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\* National Comprehensive Services, Inc. will be changed to HMO America, Inc. as of December 19, 1984.



<b>Symbol</b>	<b>Company Name</b>	<b>Location</b>
COMS	3Com Corporation	Mountain View, CA
THOR	Thor Industries, Inc.	Jackson Center, OH
TBCM	Triboro Communications, Inc.	New York, NY
TYSN	Tyson Foods, Inc.	Springdale, AR
VOLVY	Volvo, A. B.	Goteborg, Sweden
WONE	Westwood One, Inc.	Culver City, CA

\* \* \*


The following changes to the list of NASDAQ/NMS securities occurred since November 7, 1984.

#### **NASDAQ/NMS Deletions**

<u>Symbol</u>	<u>Security Name</u>	<u>Date</u>
BOHI	Bancohio Corporation	11/09/84
KARE	Care Enterprises	11/30/84
CFSC	Continental, Inc.	11/21/84
DDII	Digital Datacom, Inc.	11/21/84
HCRX	Health Care & Retirement Corp. of America	12/03/84
ITSIW	International Totalizator Systems Warrants	11/09/84
MWCH	Monchik-Weber Corporation	11/09/84

Any questions regarding this notice should be directed to Donald Bosis, Assistant Director, NASDAQ Operations, at (202) 728-8043. Questions pertaining to trade reporting rules should be directed to Steve Hickman, Market Surveillance, at (202) 728-8202.

Sincerely,



Gordon S. Macklin  
President



National Association of Securities Dealers, Inc.  
1735 K St., N.W. • Washington, D.C. 20006 • (202) 728-8000

# **notice to members 84-68**

December 17, 1984

**TO:** All NASD Members

**ATTN:** Operations Principals, Cashiers and Buy-In Personnel

**RE:** Amendments to the Uniform Practice Code to Provide for a Liability Notice Procedure and a Liability Notice Form

On October 19, 1984, amendments to Sections 1(e) and 59(j), "Buy-In Procedures," of the Association's Uniform Practice Code, were approved by the SEC. The Code prescribes the manner in which over-the-counter securities transactions other than those cleared through a registered clearing agency are compared, cleared and settled between NASD member firms. These amendments to the Code apply to transactions between member firms which result in fails.

## **BACKGROUND AND EXPLANATION OF AMENDMENTS**

The Uniform Practice Committee has reviewed NYSE Rule 180 and NSCC Liability Notice Procedures, which provide for notification to a broker-dealer which is failing to deliver securities, that it will be held liable for any damages caused by non-delivery of the involved securities. These rules and procedures have been effective in tender offers, exchange offers, mergers, conversions, and reorganization situations by protecting the buyer and placing liability on the seller when damages will result from the non-delivery of the securities.

The amendments to Section 59(j) of the Uniform Practice Code essentially bring to the over-the-counter securities market a similar liability procedure to that which currently exists for listed issues and those securities issues which are clearing eligible. Basically, these amendments bridge this regulatory gap, and now protect the buyer by providing for notice of liability to the seller.

It was the Committee's recommendation that any NASD rule combine features found in the NYSE and NSCC rules including the development of a standard liability notice which would state:

- the time frame for making delivery of the securities.
- the amount of damages involved, if known, at the time the liability notice is sent.
- the applicable buy-in procedures, in case of non-delivery.
- a definite time frame covered by the notice.

Section 59(j), which is attached as Exhibit A combines features contained in NYSE and NSCC rules and appears as a subsection of Section 59 of the Code, "Buy-Ins."

Under the new amendments, existing subsection 59(j) is deleted and replaced with new subsection (j), "Failure to Deliver and Liability Notice Procedure." The following is a brief description of the adopted amendments to the Code.

- Paragraph 1 permits the sending of a liability notice and defines under what conditions a notice may be sent. Also, it sets the minimum time frame for sending liability notices as no later than one business day prior to the expiration date of the offer or event.
- Paragraph 2 states that a delivering member shall be liable for damages arising from its failure to deliver and that a liability notice shall serve as notice of a claim for damages.
- Paragraph 3 defines the term "expiration date."
- Paragraph 4 clarifies the use of buy-ins to close out a contract when the liability notice procedure is not employed.

The sample Liability Notice (Exhibit B) contains the following information: original trade information, explanation of the offer or event on which liability protection is sought, expiration date information, estimated damages and reference to buy-in procedures.

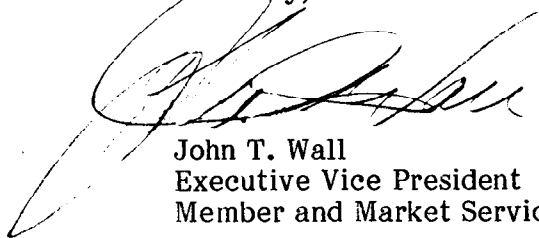
Additionally, Section 1(c) of the Uniform Practice Code (Exhibit C) is also being amended to provide language which provides that in cases of non-delivery of securities, the non-delivering party shall be liable damages, and that claims for such damage be made promptly.

#### **EFFECTIVE DATE OF THE AMENDMENTS**

The amendments described herein will be effective on January 1, 1985, so that liability notices issued on or after January 1, 1985 and buy-ins executed pursuant to those notices will be subject to the amended procedures.

The text of the amendments to Sections 1(c) and 59(j) of the Association's Uniform Practice Code is attached along with a sample liability notice. Questions regarding these changes may be directed to Donald Catapano, Uniform Practice, (212) 839-6255.

Sincerely,

A handwritten signature in black ink, appearing to read "John T. Wall", written over a faint, larger version of the same signature.

John T. Wall  
Executive Vice President  
Member and Market Services

Attachments

**NEW SECTIONS 59(j) OF THE UNIFORM PRACTICE CODE:  
OLD SECTION 59(j) DELETED**

Failure to Deliver and Liability Notice Procedures

(j)(1) If a Contract is for warrants, rights, convertible securities or other securities which have been called for redemption or are due to expire or on which a call or expiration date is impending or is for securities which are subject to a tender or exchange offer or other such event and the last day on which the securities must be delivered or surrendered (the "expiration date") is the settlement date of the contract or any day after the settlement date, in addition to the close-out procedures set forth in paragraphs (a) - (h) of this Section, the receiving member may deliver a Liability Notice to the delivering member. Such Notice must be issued no later than one business day prior to the latest time and date of the offer or other event in order to obtain the protection provided by this rule.

(2) If the delivering Member fails to deliver the securities on the expiration date, the delivering Member shall be liable for any damages which may accrue thereby. The Liability Notice delivered in accordance with the provisions of this rule shall serve as notification by the receiving Member of the existence of a claim for damages. All claims for such damages shall be made promptly.

(3) For the purposes of this Section, the term "expiration date" shall be defined as the latest time and date on which securities must be delivered or surrendered, up to and including the last day of the protect period, if any.

(4) If the above procedures are not utilized as provided under this rule, contracts may be "bought-in" without prior notice, after normal delivery hours established in the community where the buyer maintains his office, on the expiration date. Such buy-in execution shall be for the account and risk of the defaulting member.

**SAMPLE FORM**

**SAMPLE LIABILITY NOTICE - ON MEMBER'S LETTERHEAD**

(Date)

TO:

ATTENTION: Cashier

Gentlemen:

Reference is made to your delivery obligation to us of  
\_\_\_\_\_, for settlement \_\_\_\_\_.  
(Name of Security and Amount) (Date)

Our purpose for acquiring this item is to effect the

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

(Specify tender or exchange offer, conversion or expiration of securities offering, e.g., rights, warrants)

If you cannot make delivery of this item on or before \_\_\_\_\_, we shall hold you liable thereon in accordance with the provisions of the Uniform Practice Code of the National Association of Securities Dealers, Inc. for any damages which may accrue. If you fail to deliver, damages are estimated at, but not limited to \_\_\_\_\_. Further, this item is subject to buy-in within the prescribed procedures set forth in Uniform Practice Code Section 59(j).

Please acknowledge receipt of this letter by signing the copy and returning it to us.

Very truly yours,

\_\_\_\_\_  
(Name of Member)

By: \_\_\_\_\_  
(Authorized Signature)

(New Language Underscored)

**SCOPE OF UNIFORM PRACTICE CODE**

Section 1

(a) (no changes)

(b) (no changes)

(c) In trades between members, failure to deliver the securities sold, or failure to pay for securities as delivered, on or after the settlement date, does not effect a cancellation of the contract. The remedy for the buyer or seller is provided for by Sections 59 and 60, respectively, unless the parties mutually consent to cancel the trade. In every such case of non-delivery of securities, the party in default shall be liable for any damages which may accrue thereby. All claims for such damages shall be made promptly.

# NASD

National Association of Securities Dealers, Inc.  
1735 K St., N.W. • Washington, D.C. 20006 • (202) 728-8000

## **notice to members 84-69**

December 18, 1984

### **IMPORTANT**

#### **PLEASE DIRECT THIS NOTICE TO ALL SALES, COMPLIANCE AND CREDIT OFFICERS AND PARTNERS**

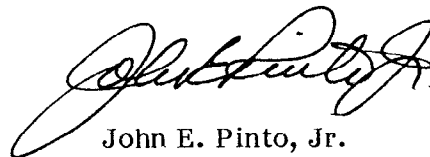
**TO:** All NASD Members and Other Interested Persons  
**RE:** Offshore Shell Bank Licenses Registered in Majuro, Marshall Islands

Attached are copies of notices issued by the Comptroller of the Currency that relate to certain direct obligations that either may be worthless or have not been honored by a number of offshore bank licenses registered in Majuro, Marshall Islands. Because the NASD understands such checks have been used to open accounts with broker/dealers, in order to avoid undue risk of loss, members should exercise extreme caution prior to any financial involvement with these entities.

The NASD has been informed that there is no affiliation between Sterling Bank and Trust Company of Majuro, Marshall Islands which is referenced in the attached notice as not honoring its obligations, and Sterling National Bank and Trust Company, 540 Madison Avenue, New York, New York.

Questions concerning this notice may be directed to I. William Fishkind, Assistant Director, Surveillance Dept. at (202) 728-8405.

Sincerely,



John E. Pinto, Jr.  
Senior Vice President  
Compliance

Attachments





# BANKING ISSUANCE

Comptroller of the Currency  
Administrator of National Banks

Type: Banking Circular

Subject: Offshore Shell Banks

TO: Chief Executive Officers of National Banks; all State Banking Authorities; Chairman, Board of Governors of the Federal Reserve System; Chairman, Federal Deposit Insurance Corporation; Conference of State Bank Supervisors; District Deputy Comptrollers; Examining Personnel

RE: Trans-Pacific Commerce Bank, Ltd.  
Majuro, Marshall Islands 96960

This Office has received information that certain direct obligations on the subject entity may be worthless and that this entity may be operating illegally in the United States. Any information which you may have regarding the subject should be brought to the attention of:

Enforcement and Compliance Division (202-447-1818)  
Office of the Comptroller of the Currency  
Washington, D.C. 20219

*C.T. Conover*  
C.T. Conover  
Comptroller of the Currency



# BANKING ISSUANCE

Comptroller of the Currency  
Administrator of National Banks

Type: Banking Circular


Subject: Offshore Shell Banks

TO: Chief Executive Officers of National Banks; all State Banking Authorities; Chairman, Board of Governors of the Federal Reserve System; Chairman, Federal Deposit Insurance Corporation; Conference of State Bank Supervisors; District Deputy Comptrollers; Examining Personnel

RE: Sterling Bank & Trust Co.  
Majuro, Marshall Islands 96960

This Office has received information that certain direct obligations on the subject entity have not been honored. It is recommended that extreme caution be exercised when any involvement with this entity is contemplated. Further, we have been informed by Sterling National Bank & Trust Co., 540 Madison Avenue, New York, New York, that it does not have any bank office in Majuro, Marshall Islands, and that there is no affiliation with Sterling Bank & Trust Co. of Majuro. Any information on the subject entity should be reported promptly to:

Enforcement and Compliance Division (202-447-1818)  
Office of the Comptroller of the Currency  
Washington, D.C. 20219

  
C.T. Coñover  
Comptroller of the Currency



# BANKING ISSUANCE

Comptroller of the Currency  
Administrator of National Banks

Type: Banking Circular

Subject: Offshore Shell Banks

TO: Chief Executive Officers of National Banks; all State Banking Authorities; Chairman, Board of Governors of the Federal Reserve System; Chairman, Federal Deposit Insurance Corporation; Conference of State Bank Supervisors; District Deputy Comptrollers; Examining Personnel

RE: Offshore Shell Bank Licenses Registered in Majuro, Marshall Islands

This Office has received information that 101 offshore shell bank licenses have been registered in Majuro, Marshall Islands. To avoid a possible undue exposure to loss, it is recommended that a careful verification of the financial integrity of all parties concerned, including the licensed entity, be made before an involvement occurs. Information about any questionable transaction should be brought to the attention of:

Enforcement and Compliance Division (202-447-1818)  
Office of the Comptroller of the Currency  
Washington, D.C. 20219

*C.T. Conover*  
C.T. Conover  
Comptroller of the Currency

October 25, 1984

# NASD

National Association of Securities Dealers, Inc.  
1735 K St., N.W. • Washington, D.C. 20006 • (202) 728-8000

## **notice to members 84-70**

December 20, 1984

TO: NASD Members and NASDAQ Level 2 and Level 3 Subscribers

RE: 25 Stocks Added to the Small Order Execution System (SOES)

Effective December 21, 1984, an additional 25 NASDAQ National Market System (NASDAQ/NMS) securities will begin trading in the Small Order Execution System (SOES). SOES began successfully on December 14 with over 66,000 shares in 25 different stocks traded during the first day of operation. (A list of those securities is contained in Notice to Members No. 84-63 dated November 22, 1984) In SOES, customer directed agency orders of 500 shares or less may be executed automatically with SOES market makers at the "inside" or best price in the NASDAQ System at the time of execution.

Beginning in 1985, the universe of SOES stocks will be expanded to include all NASDAQ/NMS and eventually all NASDAQ securities. For more information on SOES, including the procedures which must be followed to register as a SOES market maker or order entry firm, please contact Robert Soos, Supervisor, SOES Operations Center, at (212) 839-6210.

### ADDITIONAL SOES SECURITIES (Effective December 21, 1984)

#### NASDAQ Symbol

AACOB  
AITX  
ALWC  
CMPQ  
CRAB  
DYSN  
ELPA  
ENER  
FINX

#### Company Name

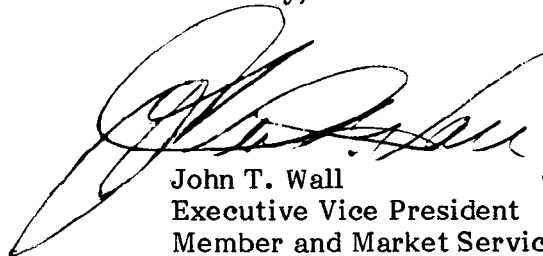
Adolph Coors Company  
Automatix Incorporated  
A. L. Williams Corporation (The)  
Compaq Computer Corp.  
Capt. Crab, Inc.  
Dysan Corporation  
El Paso Electric Company  
Energy Conversion Devices, Inc.  
Fingermatrix, Inc.

INCM  
KNDR  
LIZC  
MAXI  
MCCRK  
NDTA  
NIKE  
NSCO  
NWPB

PANS  
PCLB  
QMSI  
SBAR  
SHAS  
SMED  
XICO

InteCom, Inc.  
Kinder-Care Learning Centers, Inc.  
Liz Claibourne, Inc.  
Maxicare Health Plans, Inc.  
McCormick & Company, Inc.  
National Data Corp.  
Nike, Inc.  
Network Systems Corp.  
Newport Pharmaceuticals  
International, Inc.  
Pansophic Systems, Inc.  
The Price Company  
QMS, Inc.  
San/Bar Corporation  
Shawmut Corporation  
Shared Medical Systems Corp.  
Xicor, Inc.

Sincerely,

A handwritten signature in black ink, appearing to read "John T. Wall", written in a cursive style.

John T. Wall  
Executive Vice President  
Member and Market Services

# NASD

National Association of Securities Dealers, Inc.  
1735 K St., N.W. • Washington, D.C. 20006 • (202) 728-8000

## **notice to members 84-71**

December 26, 1984

### **I M P O R T A N T**

**Officers \* Partners \* Proprietors**

TO: All NASD Members

RE: SEC Rule 15c2-2 Fully Effective

As discussed in Notice to Members 83-73, the Securities & Exchange Commission adopted Rule 15c2-2 on November 18, 1983. The Rule prohibits broker-dealers from using mandatory arbitration clauses in customer agreements that purport to bind public customers to the arbitration of claims arising under the federal securities laws. Those clauses, in the view of the Commission, are inconsistent with the deceptive practice prohibitions of Section 10(b) and Section 15(c) of the Act.

The Rule, which is reprinted below, sets forth a transitional period, during which broker-dealers could use existing supplies of customer agreement forms until December 31, 1984, provided they were accompanied by a separate written disclosure specified in the Rule.

In addition, broker-dealers whose customers had signed agreements that would violate the Rule were required to send the written disclosure to all active, existing customers no later than December 31, 1984. Active customers are defined as those for whom, after July 1, 1983, the broker-dealer carried a free credit balance, held securities for safekeeping, or effected a securities transaction. All other customers must be sent such disclosure upon the completion of their next transaction.

This Notice is to remind members that the transition period has almost ended, and that after January 1, 1985, no new customer agreement forms may contain provisions that purport to bind the customer to arbitrate future disputes arising under the federal securities laws.

Please direct any questions concerning SEC Rule 15c2-2 to Jean McNeill, at (202) 728-8286.

Sincerely,

A handwritten signature in cursive script that reads "Frank J. Wilson".

Frank J. Wilson  
Executive Vice President  
and General Counsel

Attachment

**TEXT OF RULE 15c2-2**

**Disclosure regarding recourse to the  
courts notwithstanding arbitration  
clauses in broker-dealer customer agreements**

(a) It shall be a fraudulent, manipulative or deceptive act or practice for a broker or dealer to enter into an agreement with any public customer which purports to bind the customer to the arbitration of future disputes between them arising under the federal securities laws, or to have in effect such an agreement, pursuant to which it effects transactions with or for a customer.

(b) Notwithstanding paragraph (a) of this section, until December 31, 1984 a broker or dealer may use existing supplies of customer agreement forms if all such agreements entered into with public customers after December 28, 1983 are accompanied by the separate written disclosure:

Although you have signed a customer agreement form with FIRM NAME that states that you are required to arbitrate any future dispute or controversy that may arise between us, you are not required to arbitrate any dispute or controversy that arises under the federal securities laws but instead can resolve any such dispute or controversy through litigation in the courts.

(c) A broker or dealer shall not be in violation of paragraph (a) of this section with respect to any agreement entered into with a public customer prior to December 28, 1983 if:

(1) Any such public customer for whom the broker or dealer has after July 1, 1983 (i) carried a free credit balance, or (ii) held securities for safekeeping or as collateral, or (iii) effected a securities transaction is sent, no later than December 31, 1984, the disclosure prescribed in paragraph (b) of this section; or

(2) Any other public customer is sent upon the completion of his next transaction pursuant to such agreement, the disclosure prescribed in paragraph (b) of this section.



# NASD

National Association of Securities Dealers, Inc.  
1735 K St., N.W. • Washington, D.C. 20006 • (202) 728-8000

## notice to members 84-72

December 28, 1984

TO: All NASD Members

RE: Expansion of NASDAQ National Market System

### The SEC Release of December 18, 1984

On December 18, 1984, the Securities and Exchange Commission issued Release No. 34-21583; File No. S7-787, entitled "Designation of National Market System Securities." This Release confirms the decision taken by the Commission at an open meeting on November 16, to approve the following additional criteria for the voluntary inclusion of securities in NASDAQ/NMS:

	Operating Companies	Development Companies
Capital & Surplus	\$1 million	\$8 million
Net Income	\$300,000 in latest or 2 of last 3 fiscal years	_____
Operating History	_____	4 years
Market Value of Float	\$2 million	\$8 million
Minimum Bid	\$3	_____
Number of Market Makers	2	2

"These (additional criteria) make a total of approximately 2,500 OTC securities eligible for NMS designation," the SEC Release stated.

### The NASD's Implementation

The effective date for the SEC Release is January 22, 1985. On that date, the NASD will add 100 securities which meet the new criteria to NASDAQ/NMS. Thereafter, the NASD will add securities to NASDAQ/NMS at a rate of up to 200 a month, until all eligible securities seeking NMS designation are included.

## **The NASD Proposal**

The new criteria approved by the Commission were proposed by the NASD on February 10, 1984 as amendments to the Commission's own criteria, which include a \$5 bid price, a trading volume of 100,000 shares a month for six months and four market makers. The NASD stressed that its financial criteria, such as the profitability of operating companies and the depth of resources of development companies, are more important to investors than the temporary trading volumes of stocks.

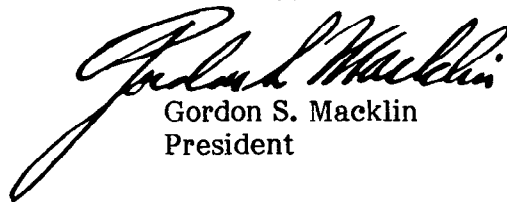
On April 30, 1984, the Commission published the NASD's petition. It received 347 letters of comment, including 215 from OTC issuers and 113 from broker-dealers. The December 18 Release observes, "The NASD and the vast majority of OTC market participants fully supported the proposed amendments." The Release also notes that five stock exchanges were among the opponents, and it carefully cites the NASD's point-by-point rebuttals of the exchanges' arguments.

"After careful consideration," the Release says, "the Commission has determined to adopt the ... criteria proposed by the NASD, thus expanding the number of securities eligible for designation. The Commission believes that the institution of last sale reporting in the OTC market has been extremely successful and should be expanded ... Specifically, the Commission believes that this expansion is justified because it provides additional OTC securities with the benefits of last sale reporting."

## **The Impact on Marginability**

A further benefit of the SEC decision is that more NASDAQ securities will become eligible for purchase in margin accounts. Currently, there are 2,070 NASDAQ margin stocks. The Federal Reserve Board ruled in September, 1984, that all NASDAQ/NMS securities are to be automatically marginable, and the expansion of NMS will make more than 700 additional NASDAQ securities eligible for margin. This will give investors greater flexibility and will help issuers by making their securities more attractive to a broader range of investors.

Sincerely,



Gordon S. Macklin  
President

# NASD

National Association of Securities Dealers, Inc.  
1735 K St., N.W. • Washington, D.C. 20006 • (202) 728-8000

## **notice to members 84-73**

December 28, 1984

TO: All NASD Members and Other Interested Persons

ATTN: Syndicate Department

RE: Proposed Amendment to the Uniform Practice Code to Require Prompt Settlement of Syndicate Accounts

As a result of a recommendation of the Advisory Council of the Board of Governors of the Association, the Corporate Financing Committee has recently considered the need for more prompt settlement of syndicate accounts in distributions of corporate securities. Syndicate accounts are ordinarily formed by underwriting groups to process the income and expenses of the syndicate. After consideration of the matter the Committee concluded that the problem of delays in the settlement of syndicate accounts which the industry has been experiencing should be addressed through establishing a period within which syndicate accounts must be settled. The Committee recommended to the Board, with the agreement of the Uniform Practice Committee, that the Uniform Practice Code be amended to require syndicate managers to settle syndicate accounts within 120 days of the date securities are delivered by the issuer to or for the account of syndicate members. The Committee determined to review this matter one year after adoption of the proposed rule with a view to reducing that time period to 90 days.

The Board of Governors has approved the recommendation of the Committee and is publishing a request for comment by the membership on the proposed amendment to the Uniform Practice Code. Attached to this Notice is a proposal to amend the Uniform Practice Code by adopting a new Section 66 which would require the settlement of syndicate accounts within 120 days. One year after adoption of the rule, the Committee will review the experience under the 120 day requirement with a view to reducing the time period for required settlement to 90 days.

All comments pertaining to this proposal should be made in writing to James Cangiano, Secretary, National Association of Securities Dealers, Inc., 1735 K Street, N.W., Washington, D.C. 20006 and be received on or before January 28, 1985 in order to receive consideration. Questions regarding the proposal may be directed to Harry E. Tutwiler or Suzanne E. Rothwell of the Corporate Financing Department at (202) 728-8258.

Sincerely,

A handwritten signature in cursive script, appearing to read "Frank J. Wilson".

Frank J. Wilson  
Executive Vice President  
Legal and Compliance

Proposed New Section 66  
of The Uniform Practice Code

. . . .

Section 66

Settlement of Syndicate Accounts

(a) Definitions

- (1) "selling syndicate" means any syndicate formed in connection with a public offering to distribute all or part of an issue of corporate securities by sales made directly to the public by or through participants in such syndicate.
- (2) "syndicate account" means an account formed by members of the selling syndicate for the purpose of purchasing and distributing the corporate securities of a public offering.
- (3) "syndicate manager" means the member of the selling syndicate that is responsible for maintenance of syndicate account records.
- (4) "syndicate settlement date" means the date upon which corporate securities of a public offering are delivered by the issuer to or for the account of the syndicate members.

(b) Final settlement of syndicate accounts shall be effected by the syndicate manager within 120 days following the syndicate settlement date.